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Financial Report
Easter Seals Louisiana, Inc.

August 31, 2008

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Release Date 2/11/09



Bourgeois Bennett

Certified Public Accountants | Consultants
A Limited Liability Company

TABLE OF CONTENTS

Easter Seals Louisiana, Inc.

August 31, 2008 and 2007

	<u>Exhibits</u>	<u>Page Numbers</u>
Financial Section		
Independent Auditor's Report		1 - 2
Statements of Financial Position	A	3
Statement of Activities (August 31, 2008)	B	4 - 5
Statement of Activities (August 31, 2007)	B-1	6 - 7
Statement of Functional Expenses (August 31, 2008)	C	8 - 9
Statement of Functional Expenses (August 31, 2007)	C-1	10 - 11
Statements of Cash Flows	D	12
Notes to Financial Statements	E	13 - 18
Special Report of Certified Public Accountants		
Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		19 - 20
Schedule of Findings and Responses		21 - 22
Reports By Management		
Schedule of Prior Year Findings and Responses		23 - 24
Management's Corrective Action Plan		25

FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Easter Seals Louisiana, Inc.,
New Orleans, Louisiana.

We have audited the accompanying statements of financial position of Easter Seals Louisiana, Inc. (a nonprofit organization) as of August 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General for the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals Louisiana, Inc. as of August 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2008 on our consideration of Easter Seals Louisiana, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 12, 2008.

STATEMENTS OF FINANCIAL POSITION**Easter Seals Louisiana, Inc.**

August 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ -	\$ 54,014
Accounts receivable, net	1,084,634	1,072,933
Prepaid expenses and deposits	8,083	6,464
Unimproved real estate	16,218	16,218
Equipment	191,601	293,147
Accumulated depreciation	<u>(65,833)</u>	<u>(201,728)</u>
Total assets	<u>\$ 1,234,703</u>	<u>\$ 1,241,048</u>
Liabilities		
Bank overdraft	\$ 1,421	\$ -
Accounts payable	45,331	32,808
Line of credit	69,157	143,000
Accrued vacation	122,414	121,206
Payroll taxes payable	7,263	5,688
Due to National Easter Seals	<u>10,872</u>	<u>9,177</u>
Total liabilities	<u>256,458</u>	<u>311,879</u>
Net Assets	<u>978,245</u>	<u>929,169</u>
Total liabilities and net assets	<u>\$ 1,234,703</u>	<u>\$ 1,241,048</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Easter Seals Louisiana, Inc.**

For the year ended August 31, 2008

	<u>Unrestricted</u>
Support and Revenues	
Contract fees for services -	
Case Management (Department of Health and Hospitals):	
Region 1 (New Orleans)	\$ 1,278,763
Region 3 (Thibodaux)	1,179,370
Region 6 (Alexandria)	954,462
Region 7 (Shreveport)	1,206,263
Region 8 (Monroe)	718,779
Region 9 (Covington)	1,416,632
Mental Health (Department of Health and Hospitals):	
Region 3 (Thibodaux)	48,396
Region 7 (Shreveport SIL)	153,904
Single Point of Entry (Department of Health and Hospitals):	
Region 8 (Monroe)	414,205
Special events	57,411
Contributions	69,420
Bingo (net of expenses of \$235,047 and winnings of \$878,314)	98,401
Miscellaneous	53,019
	<hr/>
Total support and revenues	7,649,025

**Exhibit B
(Continued)**

	<u>Unrestricted</u>
Expenses	
Program services:	
Case management:	
Region 1 (New Orleans)	1,155,492
Region 3 (Thibodaux)	1,036,881
Region 6 (Alexandria)	928,686
Region 7 (Shreveport)	1,168,366
Region 8 (Monroe)	733,062
Region 9 (Covington)	1,279,586
Mental Health:	
Region 3 (Thibodaux)	47,621
Region 7 (Shreveport SIL)	129,254
Single Point of Entry:	
Region 1 (New Orleans)	8,458
Region 8 (Monroe)	404,510
Direct services	79,469
Public health education	26,776
Professional education and training	37,716
Support services:	
Management and general	499,580
Fundraising	64,492
	<hr/>
Total expenses	7,599,949
	<hr/>
Increase in Net Assets	49,076
Net Assets	
Beginning of year	929,169
	<hr/>
End of year	\$ 978,245
	<hr/> <hr/>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Easter Seals Louisiana, Inc.**

For the year ended August 31, 2007

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
Support and Revenues			
Contract fees for services -			
Case Management (Department of Health and Hospitals):			
Region 1 (New Orleans)	\$ 929,601		\$ 929,601
Region 3 (Thibodaux)	969,790		969,790
Region 6 (Alexandria)	822,177		822,177
Region 7 (Shreveport)	1,118,459		1,118,459
Region 8 (Monroe)	334,505		334,505
Region 9 (Covington)	1,090,304		1,090,304
Mental Health (Department of Health and Hospitals):			
Region 3 (Thibodaux)	47,342		47,342
Single Point of Entry (Department of Health and Hospitals):			
Region 8 (Monroe)	382,426		382,426
Special events	79,365		79,365
Contributions	105,194		105,194
Bingo (net of expenses of \$219,909 and winnings of \$855,497)	39,176		39,176
Program service fees	435		435
Miscellaneous	10,493		10,493
	<u>5,929,267</u>		<u>5,929,267</u>
Total support and revenues	<u>5,929,267</u>		<u>5,929,267</u>
Net assets released from restrictions	<u>3,050</u>	<u>\$ (3,050)</u>	<u>-</u>
Total support, revenues and other support	<u>5,932,317</u>	<u>(3,050)</u>	<u>5,929,267</u>

**Exhibit B-1
(Continued)**

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
Expenses			
Program services:			
Case management:			
Region 1 (New Orleans)	829,533		829,533
Region 3 (Thibodaux)	794,933		794,933
Region 6 (Alexandria)	769,024		769,024
Region 7 (Shreveport)	1,128,537		1,128,537
Region 8 (Monroe)	393,584		393,584
Region 9 (Covington)	1,021,147		1,021,147
Mental Health:			
Region 3 (Thibodaux)	41,774		41,774
Single Point of Entry:			
Region 8 (Monroe)	376,292		376,292
Direct services	71,067		71,067
Public health education	24,830		24,830
Professional education and training	20,286		20,286
Support services:			
Management and general	287,335		287,335
Fundraising	59,144		59,144
	<u>5,817,486</u>	<u>-</u>	<u>5,817,486</u>
Total expenses	<u>5,817,486</u>	<u>-</u>	<u>5,817,486</u>
Increase (Decrease) in Net Assets	114,831	(3,050)	111,781
Net Assets			
Beginning of year	<u>814,338</u>	<u>3,050</u>	<u>817,388</u>
End of year	<u>\$ 929,169</u>	<u>\$ -</u>	<u>\$ 929,169</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Easter Seals Louisiana, Inc.

For the year ended August 31, 2008

	Program Services			
	Case Management			
	Region 1	Region 3	Region 6	Region 7
Salaries	\$ 783,682	\$ 706,379	\$ 674,125	\$ 772,885
Employee health, retirement and benefits	79,983	69,317	5,258	96,068
Payroll taxes	66,861	59,486	53,009	65,597
Bad debt expense	36,600	33,856	29,663	39,815
Conferences, conventions and meetings	1,845	1,773	2,111	1,810
Equipment maintenance	7,880	7,243	6,412	8,695
Equipment rental	3,935	3,619	3,847	3,878
Insurance	4,798	4,798	4,798	4,798
Interest expense	797	797	797	797
Licenses and fees	639	639	600	600
Media expenses	133	1,132	267	133
Membership dues to professional associations	-	120	-	-
Miscellaneous	26,582	3,714	9,451	10,831
Office expense	936	1,391	1,633	475
Occupancy	57,161	41,804	45,814	55,584
Outside printing	1,531	922	1,572	1,564
Postage	6,570	5,447	6,887	6,727
Professional fees and contract service payments	10,818	9,913	9,113	7,965
Specific assistance to individuals	-	-	-	-
Supplies	16,367	13,098	14,734	9,984
Telephone	12,115	17,086	10,449	12,657
Travel	33,336	51,424	45,223	64,580
 Total expenses before depreciation	 1,152,569	 1,033,958	 925,763	 1,165,443
 Depreciation of property and equipment	 2,923	 2,923	 2,923	 2,923
 Total expenses	 <u>\$ 1,155,492</u>	 <u>\$ 1,036,881</u>	 <u>\$ 928,686</u>	 <u>\$ 1,168,366</u>

See notes to financial statements.

Program Services													Support Services		
Case Management		Mental Health		Single Point of Entry		Direct Services	Public Health Education	Professional Education and Training	Totals	Management And General		Fundraising	Totals		
Region 8	Region 9	Region 3	Region 7	Region 1	Region 8					General					
\$ 467,996	\$ 887,334	\$ 36,248	\$ 83,544	\$ -	\$ 273,309	\$ 17,475	\$ 14,969	\$ 25,208	\$ 4,743,154	\$ 74,116	\$ 42,355	\$ 4,859,625			
36,643	90,923	215	4,209	78	20,048	651	-	-	403,393	214,096	74	617,563			
40,909	73,616	3,224	7,307	-	21,451	4,724	1,176	1,814	399,174	4,687	-	403,861			
20,457	41,742	-	-	-	-	-	-	-	202,133	14,918	-	217,051			
1,580	2,000	-	326	398	682	-	-	100	12,625	2,451	884	15,960			
5,968	8,041	-	1,565	645	1,880	-	-	-	48,329	2,240	-	50,569			
3,482	4,092	-	-	-	8,771	-	-	-	31,624	4,615	300	36,539			
3,838	4,798	960	960	480	2,399	5,278	1,439	1,439	40,783	4,798	2,399	47,980			
638	797	159	159	80	399	877	239	239	6,775	800	399	7,974			
600	600	-	-	-	-	-	-	-	3,678	153	5,934	9,765			
490	-	-	-	800	-	-	-	-	2,955	574	1,120	4,649			
-	-	-	-	-	-	-	-	-	-	-	-	-			
8,846	12,799	81	1,844	450	1,197	-	-	-	120	114,539	-	114,659			
1,583	3,015	-	2,798	1,412	5,439	-	-	-	75,795	7,525	355	83,675			
57,480	58,033	-	6,850	-	22,546	12,602	7,201	7,201	18,682	606	-	19,288			
1,296	1,361	-	-	578	-	879	32	-	372,276	9,002	500	381,778			
4,794	4,952	1	646	200	3,508	1,221	-	-	9,735	1,223	2,737	13,695			
-	-	-	-	-	-	-	-	-	40,953	1,822	794	43,569			
6,684	6,568	66	718	200	921	11,226	-	-	64,192	18,142	787	83,121			
-	-	-	409	-	-	21,242	-	-	21,651	-	-	21,651			
18,620	10,159	96	2,616	549	5,036	58	843	11	92,171	4,287	2,998	99,456			
9,284	12,174	550	8,348	809	11,639	-	-	-	95,111	7,420	250	102,781			
39,535	53,659	5,436	6,370	1,487	23,823	20	-	827	325,720	8,643	1,144	335,507			
730,723	1,276,663	47,036	128,669	8,166	403,048	76,253	25,899	36,839	7,011,029	496,657	63,030	7,570,716			
2,339	2,923	585	585	292	1,462	3,216	877	877	24,848	2,923	1,462	29,233			
\$ 733,062	\$ 1,279,586	\$ 47,621	\$ 129,254	\$ 8,458	\$ 404,510	\$ 79,469	\$ 26,776	\$ 37,716	\$ 7,035,877	\$ 499,580	\$ 64,492	\$ 7,599,949			

STATEMENT OF FUNCTIONAL EXPENSES

Easter Seals Louisiana, Inc.

For the year ended August 31, 2007

	Program Services			
	Case Management			
	Region 1	Region 3	Region 6	Region 7
Salaries	\$ 554,579	\$ 525,398	\$ 514,334	\$ 753,706
Employee health, retirement and benefits	39,825	44,209	41,475	81,262
Payroll taxes	49,413	45,285	43,159	62,958
Bad debt expense	26,629	27,143	22,925	36,062
Conferences, conventions and meetings	1,097	1,126	1,067	910
Equipment maintenance	10,040	7,009	6,388	8,067
Equipment rental	6,299	3,371	5,785	8,718
Insurance	3,620	3,620	3,620	3,982
Interest expense	76	76	76	83
Licenses and fees	625	600	625	600
Media expenses	1,013	2,547	20	1,271
Membership dues to professional associations	-	120	-	-
Miscellaneous	15,508	6,147	5,562	3,520
Office expense	4,989	1,560	1,355	1,550
Occupancy	36,387	34,727	28,889	53,519
Outside printing	1,624	1,134	1,355	2,267
Postage	4,951	4,389	4,180	6,553
Professional fees and contract service payments	19,295	10,644	10,873	12,014
Specific assistance to individuals	-	-	-	-
Supplies	16,461	16,757	21,637	14,587
Support to National Easter Seals	-	-	-	-
Telephone	10,946	18,846	11,251	12,143
Travel	24,198	38,267	42,490	62,612
 Total expenses before depreciation	 827,575	 792,975	 767,066	 1,126,384
 Depreciation of property and equipment	 1,958	 1,958	 1,958	 2,153
 Total expenses	 <u>\$ 829,533</u>	 <u>\$ 794,933</u>	 <u>\$ 769,024</u>	 <u>\$ 1,128,537</u>

See notes to financial statements.

Program Services										Support Services			
		Mental Health	Single Point of Entry	Direct Services	Public Health Education	Professional Education and Training	Totals	Management And General	Fundraising	Totals			
Region 8	Region 9	Region 3	Region 8										
\$ 239,263	\$ 706,668	\$ 30,253	\$ 252,925	\$ 20,169	\$ 13,617	\$ 7,027	\$ 3,617,939	\$ 60,838	\$ 29,137	\$ 3,707,914			
9,171	56,669	173	17,042	299	-	-	290,125	46,354	-	336,479			
21,331	59,191	2,554	21,047	1,692	1,114	536	308,280	9,669	2,269	320,218			
9,961	30,721						153,441	66		153,507			
2,006	880	-	580	-	-	3,618	11,284	874	209	12,367			
3,074	8,307	177	5,737	-	-	-	48,799	1,748	-	50,547			
2,592	6,589	219	5,656	-	(47)	-	39,182	3,833	488	43,503			
2,896	3,982	724	1,810	4,344	1,086	1,086	30,770	3,620	1,812	36,202			
60	83	15	38	91	23	23	644	76	35	755			
675	600	-	-	-	-	-	3,725	160	4,636	8,521			
364	340	-	-	-	-	-	5,555	481	1,042	7,078			
-	-	16	1,302	-	-	-	120	10,998	-	11,118			
2,246	5,050	-	(40)	-	-	-	39,351	4,883	-	44,234			
9,138	4,096	-		-	-	-	22,648	7,061	-	29,709			
33,530	57,789	-	23,024	10,323	5,899	5,899	289,986	7,373	500	297,859			
1,771	1,603	-	76	891	105	-	10,826	1,247	2,908	14,981			
1,917	4,668	11	4,944	1,036	2	-	32,651	1,159	744	34,554			
7,140	8,018	518	1,800	3,070	734	734	74,840	2,447	7,705	84,992			
-	-			20,333	-	-	20,333	2,915	6,011	20,333			
22,741	9,126	535	4,441	100	737	-	107,122	110,125	-	116,048			
-	-	-	-	-	-	-	-	6,105	669	90,591			
6,887	11,849	810	10,112	-	973	-	83,817	3,345	-	266,275			
15,255	42,765	5,378	24,819	6,370	-	776	262,930						
392,018	1,018,994	41,383	375,313	68,718	24,243	19,699	5,454,368	285,377	58,165	5,797,910			
1,566	2,153	391	979	2,349	587	587	16,639	1,958	979	19,576			
\$ 393,584	\$ 1,021,147	\$ 41,774	\$ 376,292	\$ 71,067	\$ 24,830	\$ 20,286	\$ 5,471,007	\$ 287,335	\$ 59,144	\$ 5,817,486			

STATEMENTS OF CASH FLOWS**Easter Seals Louisiana, Inc.**

For the years ended August 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 49,076	\$ 111,781
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	29,233	19,576
Bad debt expense	217,051	58,357
(Increase) decrease in operating assets:		
Accounts receivable	(228,752)	(585,737)
Prepaid expenses and deposits	(1,619)	(780)
Increase (decrease) in operating liabilities:		
Bank overdraft	1,421	-
Accounts payable	12,523	9,854
Accrued vacation	1,208	44,863
Payroll taxes payable	1,575	4,610
Due to National Easter Seals	1,695	(6,111)
Total adjustments	<u>34,335</u>	<u>(455,368)</u>
Net cash provided by (used in) operating activities	<u>83,411</u>	<u>(343,587)</u>
Cash Flows Used In Investing Activities		
Purchases of property and equipment	<u>(63,582)</u>	<u>(63,056)</u>
Cash Flows From Financing Activities		
Borrowings net of repayments under line of credit	<u>(73,843)</u>	<u>143,000</u>
Net Decrease in Cash	(54,014)	(263,643)
Cash		
Beginning of year	<u>54,014</u>	<u>317,657</u>
End of year	<u>\$ -</u>	<u>\$ 54,014</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Easter Seals Louisiana, Inc.**

August 31, 2008 and 2007

Note 1 - NATURE OF ACTIVITIES

Easter Seals Louisiana, Inc. (formerly Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.) (the "Organization"), is a non-profit, community-based healthcare agency organized under the laws of the State of Louisiana. The mission of the Organization is to help children and adults with disabilities of all ages, and their families, obtain, and effectively utilize resources necessary to lead more independent and purposeful lives. The Organization maintains programs and services that create an acceptance toward people with disabilities through the following: Camperships, Equipment Loan and Specific Assistance, Scoliosis Screenings, Post Polio Support Network, Support Coordination (Case Management), and Early Intervention Services.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Organization and Income Taxes**

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana in 1951. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

b. Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting generally accepted in the United States of America.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Financial Statement Presentation

Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations", requires the reporting of information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, based on donor stipulations and restrictions placed on contributions, if any.

For the year ended August 31, 2008, management considers all activities and net assets to be unrestricted.

d. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

e. Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

f. Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Accounts Receivable

The Organization provides services under contracts entered into with various state and local agencies. Accounts receivable includes amounts billed under these contracts and amounts due from patients for services provided.

A major portion of the accounts receivable balance as of August 31, 2008 and 2007 is from the Louisiana Department of Health and Hospitals. Management closely monitors outstanding accounts receivable and estimates an allowance for uncollectible receivables based on prior experience. Balances that are determined to be uncollectible are written off. The balance as of August 31, 2008 and 2007 of the allowance for uncollectible receivables is \$166,431 and \$134,015, respectively.

h. Property and Equipment

Property and equipment are recorded at cost. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Donated property is recorded at its fair market value at the date of donation.

i. Allocated Expenses

The cost of providing the various programs and other activities are summarized in the Statement of Functional Expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

Note 3 - PROPERTY AND EQUIPMENT

At August 31, 2008 and 2007, the cost of property and equipment and accumulated depreciation were as follows:

	<u>2008</u>	<u>2007</u>
Equipment:		
Furniture and fixtures	\$ 42,672	\$ 144,074
Transportation equipment	22,208	22,208
Office equipment	<u>126,721</u>	<u>126,865</u>
Total equipment	191,601	293,147
Unimproved real estate	16,218	16,218
Less accumulated depreciation	<u>(65,833)</u>	<u>(201,728)</u>
Net property and equipment	<u>\$ 141,986</u>	<u>\$ 107,637</u>

Depreciation expense was \$29,233 and \$19,576 for the years ended August 31, 2008 and 2007, respectively.

Note 4 - OPERATING LEASES

The Organization leases certain office facilities in New Orleans, Shreveport, Covington, Monroe, Alexandria, Thibodaux, and Metairie. Rent expense related to these leases was \$330,734 and \$297,859 for the years ended August 31, 2008 and 2007, respectively.

The future minimum lease payments under the above described leases are as follows:

<u>Years Ending</u> <u>August 31,</u>	
2009	\$ 293,039
2010	273,673
2011	239,301
2012	<u>54,660</u>
Total	<u>\$ 860,673</u>

Note 5 - LINE OF CREDIT

The Company has a \$500,000 revolving bank line of credit, with balances of \$69,157 and \$143,000 outstanding at August 31, 2008 and 2007, respectively. Interest is payable at Whitney National Bank's prime rate, which was 8.75% at August 31, 2008. All unpaid interest and principal are due on February 11, 2009. The loan is secured with receivables and property and equipment.

Note 6 - EMPLOYEE BENEFIT PLANS

The Organization sponsored a defined benefit plan that covered substantially all employees, as of August 31, 2000. The plan provided benefits to be paid to eligible employees at retirement based primarily upon years of service with the Organization and compensation rates near retirement. Contributions to the plan reflected benefits attributed to employees' services to date, as well as services expected to be earned in the future.

The Organization's Board of Directors voted at its June 1, 2000 meeting to freeze the pension plan effective September 1, 2000. This freeze was in anticipation of terminating the plan at a future date. Effective August 28, 2008, the termination process was finalized and the trust account was closed. The Organization's remaining benefit obligation of approximately \$140,000 was paid to the plan prior to termination.

There was no service cost for the years ended August 31, 2008 and 2007.

The Organization maintains a defined contribution retirement plan, which allows participating employees to contribute by salary reduction pursuant to Section 403(b) of the Internal Revenue Code. The 403(b) is discretionary and the Organization will contribute up to 3% of a participating employee's salary. For the year ended August 31, 2008, the Organization contributed \$16,731 to the plan. There were no plan contributions by the Organization for the year ended August 31, 2007.

Note 7 - RELATED PARTY TRANSACTIONS

The Organization is affiliated with the National Easter Seals (Easter Seals) and pays an annual membership fee. For the years ended August 31, 2008 and 2007, the fee was \$114,264 and \$110,125, respectively.

Easter Seals provides supplies for certain campaigns and charges the Organization for those supplies. Easter Seals also remits to the Organization contributions collected on behalf of the Organization. At August 31, 2008 and 2007, the balance due to Easter Seals was \$10,872 and \$9,177, respectively.

Note 8 - SIGNIFICANT CONTRACTS AND GRANTS

For the years ended August 31, 2008 and 2007, approximately \$6,750,00 and \$5,300,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a Medicaid fiscal intermediary, and approximately \$463,000 and \$430,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a pass through entity for federal grants. The State provides annual contracts to the Organization which grant the State the right to audit program accounts and activities. The State, acting as the Medicaid intermediary for Medicaid patients, reimburses services rendered to Medicaid program beneficiaries under an allowable cost reimbursement formula that is subject to audit and retroactive adjustments. Management believes that the Organization is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

Note 9 - RISK MANAGEMENT

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended August 31, 2008 and 2007.

Note 10 - CASH FLOWS INFORMATION

Cash payments of interest during the years ended August 31, 2008 and 2007 were \$7,974 and \$755, respectively.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Easter Seals Louisiana, Inc.,
New Orleans, Louisiana.

We have audited the financial statements of Easter Seals Louisiana, Inc. (a nonprofit organization), as of and for the year ended August 31, 2008, and have issued our report thereon December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Easter Seals Louisiana Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Easter Seals Louisiana, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Easter Seals Louisiana, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and which is described in the accompanying schedule of findings and responses as item 08-01.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Easter Seals Louisiana, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Easter Seals Louisiana, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Easter Seals Louisiana, Inc.'s internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Easter Seals Louisiana, Inc.'s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Easter Seals Louisiana, Inc.'s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 12, 2008.

SCHEDULE OF FINDINGS AND RESPONSES

Easter Seals Louisiana, Inc.

For the year ended August 31, 2008

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

b) Federal Awards

Easter Seals Louisiana, Inc. did not receive Federal awards in excess of \$500,000 during the year ended August 31, 2008 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section II - Financial Statement Findings

Internal Control

08-01 Criteria - Effective internal controls requires that an entity have someone with the technical expertise and knowledge who has the ability to prepare financial statements and all disclosures in accordance with generally accepted accounting principles as part of its control process.

Section II - Financial Statement Findings (Continued)

Internal Control (Continued)

08-01 (Continued)

Condition - Management lacks the qualifications and expertise necessary to prepare financial statements and all disclosures in accordance with generally accepted accounting principles. Possessing suitable skills, knowledge, and experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the expertise required to prepare the statements and all disclosures.

Questioned Costs - None.

Context - Systematic.

Cause - Easter Seals Louisiana, Inc. has not determined a need for a financial person possessing the required technical expertise.

Effect - Easter Seals Louisiana, Inc. has a recognized deficiency in its internal controls.

Recommendation - We recommend Easter Seals Louisiana, Inc. consider the need for having someone with the technical expertise and knowledge to prepare financial statements and all disclosures in according with generally accepted accounting principles.

Views Of Responsible Officials Of The Auditee - When There is a Disagreement With the Finding, to the Extent Practical - None.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Easter Seals Louisiana, Inc.

For the year ended August 31, 2008

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

07-01 Condition - Management lacks the qualifications and expertise necessary to prepare financial statements and all disclosures in accordance with generally accepted accounting principles. Possessing suitable skills, knowledge, and experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the expertise required to prepare the statements and all disclosures.

Current Status - Not resolved. The Agency has not hired an individual with the expertise necessary to prepare financial statements and related disclosures. Management does not consider the benefit of this recommendation to outweigh the cost of implementation and does not anticipate resolution in the near future. See finding 08-01.

07-02 Condition - Defalcation of funds related to the bingo operations

Current Status - Resolved. Easter Seals Louisiana, Inc. terminated the bingo game supervisor in October 2007. Management has instituted new processes and controls to ensure segregation of duties is maintained and to help prevent the defalcation of bingo funds. In addition, management is receiving bingo reports on a timely basis to monitor the bingo operation more closely.

Compliance

No compliance findings material to the financial statement were noted during the audit of the financial statements for the year ended August 31, 2007.

Section II - Internal Control and Compliance Material To Federal Awards

Easter Seals Louisiana, Inc. did not receive Federal awards in excess of \$500,000 during the year ended August 31, 2007 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended August 31, 2007.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Easter Seals Louisiana, Inc.

For the year ended August 31, 2008

Section I - Internal Control and Compliance Material to the Financial Statements

08-01 Recommendation - Easter Seals Louisiana, Inc. should consider the need for having someone with technical expertise and knowledge to prepare financial statements and disclosures in accordance with governmental accepted accounting principles.

Management's Response - Management does not consider the benefit of this recommended improvement to outweigh the cost of implementation.

Section II - Internal Control and Compliance Material To Federal Awards

Easter Seals Louisiana, Inc. did not receive Federal awards in excess of \$500,000 during the year ended August 31, 2008 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended August 31, 2008.